

## **PENSION BOARD MEETING**

**Tuesday, May 13, 2014  
9:00 AM – Fourth Floor Conference Room**

### **MEETING MINUTES**

**Members Present:**

Bill Bruton  
Barry Echols  
Eric Lockhart  
Tim Milligan

Philip Goldstein  
Danny Messimer  
Freddy Morgan  
Jess Zerbe

**Ex-Officio Members:**

Shannon Barrett – Secretary - "Acting" Director, HR  
Sam Lady – Finance

**Absent:**

Anthony Coleman

**Visitors / Guests**

Scott Arnwine / Ian Janecek – GAVION  
Judy Burnette – Human Resources – Benefits  
Jackie Deckman – Principal Financial Group  
Libby Hammock – Human Resources  
Ginny Harris – Crace, Galvis, McGrath, LLC  
Beth Keller - Finance  
Edward Koebel / Dayna Waddell – Cavanaugh MacDonald

**1. CALL TO ORDER / DECLARATION OF QUORUM**

Chairperson Echols

Chairperson Echols declared a quorum and called the meeting to order promptly at 9:00 am. He opened the meeting by thanking everyone for their confidence in him as the new Chairperson. He stated that we have very strong and talented people on the Pension Board and are very fortunate to have them.

In reference to the Trustee School (Macon, GA) he was pleased to announce that Member Milligan is now a Certified Trustee and was recognized with applause from the Board. Member Morgan and Chairperson Echols both took beginner courses at the Trustee School. Member Milligan took this time to urge the Board Members to attend and participate in the next year training and education program.

Chairperson Echols pointed out that Fiduciary is an important part of the Pension Board duties and responsibilities. He informed the Board that there will be another conference in September 2014 - at Calloway Gardens and he has the information if anyone is interested.

**2. MINUTES FOR APPROVAL – FEBRUARY 18, 2014**

Chairperson Echols

Chairperson Echols called for a motion to approve the 02.18.14 meeting minutes as presented. Member Lockhart asked that the verbiage in agenda item 2. be revised to state that during the officer elections he requested to withdraw his name from nominations of Chairperson & Vice Chairperson.

**2. MINUTES FOR APPROVAL – FEBRUARY 18, 2014**

(Continued)

**MOTION:**

**February 13, 2014 – Pension Board Minutes**

**MOTION:** Member Lockhart made the motion to approve the 02.13.14 Meeting Minutes with the addition of verbiage to Item No. 2 – **Election of Officers** to state that he withdrew his name from the nominations during the election of Chairperson & Vice Chairperson.

Second to the motion by Member Morgan

Unanimous by the Board

**3. *Brief delay in GAVION presentation.***

**5. CRACE, GALVIS, MCGRATH, LLC**

Ginni Harris

Ms. Harris was present today to review the audited financial statements of the City of Marietta, Georgia Public Employees Retirement System for the year ended June 30, 2013. As stated in the report professional standards require that they communicate any significant audit findings.

As stated in the cover letter dated May 13, 2014 – All significant transactions have been recognized in the financial statements in the proper period. The financial statements disclosures are neutral, consistent and clear. No difficulties encountered in performing and completing the Audit.

Ginni stated there are no issues to report. She stated that they do a test of the pension files and payroll to ensure that the percent is correct. They had selected 20 pension files to test and found no issues this year. Chairperson Echols thanked Judy Burnette and Member Milligan for their review and processing of pension calculations.

Chairperson Echols called for a motion to accept the Audit as presented.

**MOTION:**

**CRACE GALVIS MCGRATH AUDIT**

**MOTION:** Member Goldstein made the motion to accept the financial audit of the City of Marietta Retirement System for the year ended June 30, 2013.

Second to the motion by Member Zerbe

Unanimous by the Board

Ms. Harris thanked the Board for their time, concluded her presentation and left the meeting at 9:18 am.

### 3. GAVION

Ian Janecek / Scott Arnwine

- 1st Qtr. 2014 Performance

Ian began the presentation by directing the Board to **Page 3 – Cash Flow Summary**. He pointed out that there was an increase in the Market value. Beginning Total = \$83,088,320 / Ending Market Value = \$92,700,660

#### **CASH FLOW SUMMARY – TOTALS** **Fiscal YTD Ending March 31, 2014**

	Beginning Market Value	Withdrawals	Contributions	Fees	Net Investment Change	Ending Market Value	Period Return
Eagle Capital Mgmt.	\$17,502,612	-\$5,568	\$0	-\$115,597	\$3,353,304	\$20,850,348	19.16%
Advisory Sm/Mid Cap	\$14,040,287	-\$603,113	\$0	-\$116,183	\$3,109,800	\$18,546,974	22.17%
Westfield Capital All Cap	\$15,093,888	-\$605,148	\$0	-\$66,073	\$3,757,313	\$18,248,053	24.88%
Energy Opportunities Capital	\$1,651,318	-\$1,904	\$0	-\$13,126	\$213,165	\$1,862,578	12.92%
Sage Advisory	\$14,028,476	-\$510,544	\$0	-\$40,484	\$273,844	\$13,791,776	1.96%
MacKay Shields Core Investment Grade Fund	\$14,349,475	-\$14,450,964	\$0	\$0	\$101,489	–	–
Orleans Capital	–	-\$400,000	\$14,450,964	\$0	\$21,216	\$14,072,180	–
Victory Investment Grade Convertible Securities	\$6,418,308	-\$3,675	\$0	-\$9,649	\$913,201	\$7,327,835	14.23%
CASH	\$3,956	-\$2,102,843	\$2,101,800	\$0	\$4	\$2,916	0.06%
<b>TOTAL</b>	<b>\$83,088,320</b>	<b>-\$18,683,760</b>	<b>\$16,552,764</b>	<b>-\$361,112</b>	<b>\$11,743,336</b>	<b>\$92,700,660</b>	<b>14.14%</b>

Scott commented that equity managers were strong in 2013. In the first quarter of 2014, Eagle was at 3.2%, Advisory was at 7.8% performance and Westfield under performed.

Ian added that utilities were showing high returns and trading at a premium.

**3. GAVION**  
(Continued)

Ian Janecek / Scott Arnwine

Scott Arnwine directed the Board to **Page 4 – Performance Summary**. He commented that the plan is heavily equity weighted; companies are doing well; stocks are strong; interest rates are down and investors are moving toward utilities. He highlighted the following totals:

**PERFORMANCE SUMMARY**

	Mkt. Value \$	% of Portfolio	3 Mo.	1 Yr	3 Yr	5 Yr.	10 Yrs.	Rtn
TOTAL FUND	92,700,660	100%	1.1	14.5	9.4	13.1	6.7	8.6
TOTAL EQUITY	57,505,953	62.0%	1.1	23.8	13.6	21.7	--	12.4
TOTAL DOMESTIC EQUITY	57,505,953	62.0%	1.1	23.8	14.2	22.2	--	22.3
TOTAL FIXED INCOME	27,863,958	30.1	0.5	-1.0	2.8	3.9	-	4.4
TOTAL ALTERNATIVE	7,327,835	7.9	3.4	15.4	7.4	12.6	-	12.6
TOTAL CASH	2,916	0.0	0.0	0.1	0.1	0.3	-	0.3

Ian expressed concern about SAGE – Fixed Income. Member Milligan asked if we could drop this fund and go to an Index fund? Ian stated that it is fixed income and by state law we have to work with them. Officio Member Lady stated that the Pension Board cannot do an index fund. Ian suggested dropping this at this time or bring it back to the table at the next meeting.

Reference to Asset Allocations – Member Morgan asked how does the Board work around the 55 equity / 45 fixed? Ian responded that there are maximum/minimum restraints but as there is a 3% buffer we are ok. He stated that he will research the target allocations and respond at the next meeting.

Chairperson Echols asked a question – reference to the last few months of 2013 vs. 2014 – are we beyond the “Bull Market” or are we in the middle – your thoughts? Ian responded that the “Bull Market” is a full recession and we are only in an average market. Ian feels that we will see more volatility increases (some in the first quarter) but there is still some space to go and we will not see the returns we have in the last three (3) years.

Chairperson Echols commented that since inception in 1990 – 8.6% has been the return on investments – that is a good number. So going forward with the forecast, what interest rate should be used by our Actuarial – 8.6% for the last year – and 3-5 % for J. P. Morgan?

Ian stated that the range of 10-15 year assumption return distribution to be 5% to 9% with most 2013 S&P 500 at 8-8-1/2%. 13% plans are assuming that: 34% - 7.5 – 8%; 20% - 7-7.5%; 54% between 7-8%; 16% are above. Most are focused between 7-8% ranges with 54% at 7.5 – 8% being the majority. Most assumptions are between 7 – 8%. City returns are not above 8.5% on equity; 7.5% on Domestic; 9% on International; 2-4% (very low) on Fixed. Ian stated that you can't test the authenticity as it is on a 15 year assumption. He stated that you have to abide by diversification and the 7.5 – 8% range is to be determined by the Actuary. Chairperson Echols commented that 100% equities could expect 7.5-8%.

**3. GAVION**  
(Continued)

Ian Janecek / Scott Arnwine

Ian does not expect that 8% would be the best; however he feels that 7-1/4 – 7-1/2 will be the best with returns to be 3-5 years. He suggested that the Board could look at Hedge Funds when you get to large funds. Ian added that these are only estimates.

Ian concluded the presentation by stating that the City of Marietta had a very solid First Quarter performance.

Ian / Scott concluded their presentation at 9:51 am but remained for the Actuary presentation.

**4. PRINCIPAL – Status / Quarterly Updates**

Jackie Deckman

- 1st Qtr. 2014 Performance – Supplemental Pension Plan

Jackie opened her presentation by notifying the Board that she has taken a group of pricing on the Supplemental Plan and will put it on the agenda for the next meeting. Chairperson Echols stated that he has shared this information with his stock person and it is nice to have a comparison of different layouts of fees.

Jackie then directed the Board to **page 20** of the presentation and asked the Board read the article on this page entitled – The Economy and Markets. She commented that the first quarter was strange and had a strong rally but was somewhat subdued. Economic indicators are good – the first quarter showed positive economic signs and indicators are very positive. Funds in the plan are favorable with Oakmark being neutral but is expected to return to favorable – as displacement is due to consumer discretion

She pointed out that the best 1st. Qtr. midcap index performance was at 2.98.

**Page 31 - MFS – Large Value – positive – 10% allocation to International – YTD 1.26**

**Page 31 – T. ROWE PRICE – Large Growth – Aggressive -1.37 – Over wt. consumer discretionary.**

**Page 32 – CLEARBRIDGE – Small Growth – YTD - -0.028 – 1st Qtr. Did not do well but had great returns in general – small caps favor microcap funds – great performance.**

**Page 32 – J. P. MORGAN – Small Value YTD - .081 – not aggressive – small cap**

**Page 32 – Harbor International – Did well in the first quarter.**

**Page 35 – Dodge & Cox – Short-Term – Intermediate Term Bond – 2.31 YTD Very impressive performance.**

**Lifetime Funds – all are doing well.**

In summary Jackie stated that there is no need for concerns or changes at this time.

Chairperson Echols thanked Jackie for her presentation and commented that her monthly reports are very beneficial to him and the Board. He reference page 9 of her presentation and asked if her report for the annual certification of the Supplemental Pension Plan is to be prepared by the Supplement Pension Plan Company? Jackie will check on this and see if it is available and will pass it on to Judy Burnette and will provide Sam Lady with a password for access.

Jackie concluded her presentation at 10:10 am and left the meeting.

**6. CAVANAUGH MACDONALD**

Ed Koebel / Dayna Waddell

Ed Koebel opened his presentation by informing the Board that as of July 1, 2013 results, 11 months have been removed from the current data. February 2014 had a positive transition to Cavanaugh so there will be no surprises. He then turned the presentation over to Dayna Waddell.

Starting with **Page 2 – Census Data** – Dayna pointed out that this was for years 2009 – 2013 and is color coded to reference Actives, Retirees and Deferreds,

**Page 3 – Active Payroll** – Payroll is shown in 2013 as \$31,881,509.

**Page 4 – Retired Benefit Payments – 2013** - \$8,858,707 will increase at 3% for an average benefit cost of \$20,000

**Page 5 – Funding Valuation Process** – Valuation Process based on approx. 1400 people. For approx. 400 people to date cost would be \$9 million with a 7.5% current assumption rate for retirement.

**Page 6 – Results** – The 2010 Experience Study (30 Yrs) is now at 29 years. Per Board request the results are shown using investment rate of returns of 7.50% and 8.00%.

**Page 7 – Participant Type** – Value of future benefits: Deferred; Retired; Active

**Page 8 – Asset Values** – At July 1 were approx. \$85 million. Prominent smoothing is 5 years

*Goldstein left at 10:29 am  
Rtn'd 10:40 am.*

**Page 9 – Basic Retirement Funding Equation:** C= Contributions, I = Investment Income, B = Benefits Paid, E = Expenses (administration).

**Page 10 – Cash Flow – 2009 – 2013** – Includes Benefit Payments, Contributions & Investment Income.

**Page 11 – Funding for Present Value of Future Benefits** – Calculated at 7.50% & 8.00%

**Page 12 – Schedule of Funding Progress** – 2013 -7.50% and 8.00% of Years: 2010; 2011; 2012

**Page 13 – Annual Required Contributions (ARC)** – 2010/2011/2012 @ 7.50% & 8.00%

**Page 14 – Next Steps** – Experience Study Investigation; GASB Requirements; Funding Policy

**GENERAL DISCUSSION FOLLOWING THE PRESENTATION:**

Mr. Koebel emphasized that there will be volatility in the GASB numbers and a policy will be developed that is different from GASB standards which are going away. Minimum contributions will be at 7.5 and 8% numbers. Chairperson Echols thanked him for the information.

Mr. Koebel also pointed out to the Board that slide 12 in the presentation was created using the previous numbers from Segal (past Actuary) but are reasonable assumptions.

**Discussion Points- Funding Process**

- 1) Mr. Koebel predicts that payroll will increase to 3.5% more per person during the next 7.5 – 8 years. Will need to look at the salary scale.
- 2) Reference to the Experience Study and changes in Vesting periods 5, 7, & 10 years – Ex-Officio Member Sam Lady has concerns, as of this date, that there is not enough time to see results.
- 3) Also Sam Lady points that due to the Economic crisis turnover has increased. These factors will affect the calculations.
- 4) Chairperson Echols asked Mr. Koebel for his professional opinion on the rate for the funding process at 7.5 or 8%?
- 5) Mr. Koebel stated that he could only provide back-up data. Average is 7.7% - 3 years ago it was 8%. But he has seen some clients with lower percentage rates. He suggested that the decision be based on:
  - a. Consultant – Assumptions / Expert Advice
  - b. Historical Information
  - c. Peers

He did point out that Segal had a reasonable range based on market information in 2009 – 3.8 & 4.8 and up to 7.5%. In closing Mr. Koebel pointed out that the last slide in the presentation is: **NEXT STEPS** – Experience Study Investigation; GASB Requirements; Funding Policy.

Ed Koebel/Dayna Waddell – Cavanaugh MacDonald left the meeting at 9:55 am  
Ian Janecek/Scott Arnwine – GAVION – left the meeting at 9:55 am.

**GENERAL DISCUSSIONS – FUNDING FOR FUTURE BENEFITS**  
**7.5% VS. 8.0%**

- Chairperson Echols pointed out on pg. 13 of the Cavanaugh presentation that the ARC goes down – so the city would not have to pay as much as in the past.
- Member Bruton – 5 year smoothing next year but based on the advice from Ed Koebel it would make it worse on the actuarial – not the time to change the smoothing process.

*T. Milligan left at 10:50 am*  
*Rtn'd at 10:55 am*

Chairperson Echols called for a motion reference to funding for future benefits

**MOTION:**  
**PENSION PLAN FUNDING**

**MOTION:** Member Zerbe made the motion to approve for review a 7.5% investment rate funding for the Experience Study to be prepared by Cavanaugh Macdonald Consulting, LLC

Second to the motion by Member Morgan.

1 - Opposed – Member Lockhart  
1 - Abstained - Member Goldstein

6 – Approved – Chairperson Echols; Members: Bruton, Messimer, Milligan, Morgan, Zerbe  
**MOTION PASSED**

## **8. OLD BUSINESS**

### **• E-Determination Letter Update**

Shannon Barrett

Shannon Barrett, Secretary of the Pension Board, confirmed that Patti Keesler, Attorney-Benefits Law Group, has received notice that the Plans had been both submitted and favorably received. The Determination Letter is contingent on the changes per Patti. See Page 140 – required by the IRS; Page 172 – Article 8 – Maximum Benefits. The IRS language changes were requirements by the IRS and now brings our Plan up to date.

Secretary Barrett stated that the good news is that there are no change fees and pointed out that the Plan is contingent upon Council approval, within 90 days, to adopt these changes as part of the City Code.

Member Goldstein questioned verbiage on contributions on page 191. Secretary Barrett replied that she would request and provide clarification on these contributions. He also asked in reference to Pages 171-178 – Sick/Vacation/Leave times – does the tracking remain as the City does it? Secretary Barrett replied that she would also check into this but feels that it does not affect the City process.

Member Lockhart had a question reference to the language on Page 172 – Maximum Benefits. Secretary Barrett stated that the language had not changed and remains the same as currently in the Plan.

Chairperson Echols stated that there would be no vote on the Determination Letter changes at this time. He asked Secretary Barrett to ask Patti Keesler, Attorney, to attend the next proposed “Special Called” Meeting should Secretary Barrett feel her attendance to be necessary. Secretary Barrett agreed to email Patti the questions presented in this meeting for review and respond.

Secretary Barrett agreed to coordinate presentation of the information and will set up the “Special Called” meeting prior to May 28.

*Member Milligan informed the Board that he needed to leave the mtg. at this time 11:16 am.*

## **7. RETIREMENT APPLICATIONS**

Shannon Barrett

a. Higgins, Norma K. – Consolidated Plan, Unreduced Early, Single Life Benefit.  
Effective March 1, 2014. Monthly benefit is \$1,726.88.  
Employed September 3, 1991 to February 28, 2014,  
22 years 5 months - Administrative Assistant in Development Services.

b. Lewis, Robert W. – Consolidated Plan, Early retirement, Single Life Benefit.  
Effective March 1, 2014. Monthly benefit is \$2,126.71.  
Employed June 7, 2004 to February 7, 2014,  
9 years 8 months - BLW General Manager.

c. Solomon, Melanie E. – Consolidated Plan, Unreduced Early, Single Life Benefit.  
Effective March 1, 2014. Monthly benefit is \$2,280.84  
Employed October 2, 1986 to February 28, 2014,  
27 years 4 months - Support Service Tech Police Department.



7. **RETIREMENT APPLICATIONS**  
(Continued)

Shannon Barrett

d. Maloney, Thomas R. – 4022 Plan, Unreduced Early, Alternate "Magic 80" calculation.  
Effective April 1, 2014. Monthly benefit is \$2,954.75.  
Employed September 28, 1984 to March 31, 2014,  
29 years 6 months - Police Officer.

e. Marks, Susan S. - Consolidated Plan, Unreduced Early, Single Life Benefit.  
Effective April 1, 2014. Monthly benefit is \$3,132.15.  
Employed January 29, 1979 to March 31, 2014, 35 years 2 months.  
Administrative Assistant III - Fire Department.

f. Walden, Susan W. – Consolidated Plan, *Survivors benefit*.  
Effective April 1, 2014. Monthly benefit is \$408.51.  
Survivor of James L. Walden.

g. Carlson, Linda R. – Consolidated Plan, Normal Retirement, Single Life Benefit.  
Effective May 1, 2014. Monthly benefit is \$809.19.  
Employed July 21, 1997 to April 30, 2014, 16 years 9 months.  
Cashier - Finance.

h. Valencia, Albert A. – Consolidated Plan, Normal retirement, Single Life Benefit.  
Effective May 1, 2014. Monthly benefit is \$2,523.84.  
Employed April 23, 1991 to April 30, 2014, 23 years.  
Fire Engineer Medic.

i. Gobely, Sue E. – Consolidated Plan, Unreduced Early, Single Life Benefit.  
Effective June 1, 2014, Monthly benefit is \$1,520.68.  
Employed March 3, 1994 to May 30, 2014, 20 years 2 months.  
Administrative Service Assistant - Police Department.

j. McCoy, Darlina J. – Consolidated Plan, Terminated Vested, Early,  
Single Life Benefit. Effective June 1, 2014. Monthly benefit is \$537.05.  
Employed October 21, 1982 to February 8, 1997, 14 years 3 months.  
Communication Officer III with the 911 Center.

**MOTION:**  
**RETIREMENT APPLICATIONS**

**MOTION:** Member Goldstein made the motion to approve the Retirement applications as read  
by Secretary Barrett - a. thru j.

Second to the motion by Member Bruton

Unanimous by the Board

9. **NEW BUSINESS**

Chairperson Echols

Chairperson Echols confirmed that the next regular Pension Board Meeting will be held:

**Wednesday, August 13, 2014**

**9:00 am**

**4<sup>th</sup> Floor Conference Room**

10. **ADJOURNMENT**

Chairperson Echols

Chairperson Echols called for a motion to adjourn.

**MOTION:  
ADJOURN**

**MOTION:** Member Bruton made the motion to adjourn at 11:21 am.  
Second to the motion by Member Morgan

Unanimous by the Board

**PENSION BOARD MEETING**

**Tuesday, May 13, 2014**

**9:00 AM – Fourth Floor Conference Room**

APPROVED THIS 22<sup>nd</sup> DAY OF August, 2014



Barry Echols, Chairperson, Pension Board

**ATTEST:**



Shannon Barrett, Secretary, Pension Board